From: "Jeff Chambers" <jchambers@industrialcu.org> on 10/03/2007 04:25:03 PM

Subject: Truth in Lending

October 3, 2007

Jennifer J. Johnson
Secretary
Board of Governors of the Federal Reserve System
20th St and Constitution Ave NW
Washington, DC 20551

RE: Proposed changes to Regulation Z, Docket R-1286

Dear Ms. Johnson,

Industrial Credit Union of Whatcom County (ICU) is a state-chartered credit union and serves Washington State. It has approximately 20,000 members and $125 million in assets. ICU is pleased to have the opportunity to comment on the Federal Reserve Board's proposed regulations changing the requirements for open-ended lending under Regulation Z.

ICU has a major concern with the Board's proposed regulations. The Board's redefinition of open-ended credit will have a major negative impact on us. This type of plan has become standard practice, and has been in place in our credit union since 1982.

Credit unions are not-for-profit financial institutions whose primary mandate is to serve their members. This means that credit unions offer quick turnaround, convenience, and low rates to their members who borrow money. Open-ended lending minimizes application paperwork because the member need only fill out one application, and need make only one visit to the credit union for an advance. Additionally, because the credit union already has the member's information, turn around time for each request is minimal. Credit union loan rates have consistently been shown to be less than those of other lenders.

The Board's changes will significantly hamper our ability to serve our members. Even setting aside the high costs of switching to a closed-end program (which include IT systems, loan forms, internal processes, training, and data processor conversions), we will no longer be able to provide the convenient one-stop auto loan funding that members expect. The quick turnaround time will also be gone. This will eliminate one of ICU's competitive advantages in the loan market, and make it more difficult to serve our members well.

The proposed regulations deal in detail with the Board's reasoning in proposing this change, but nowhere in that reasoning is a specific harm identified, much less a significant one. There is no information about credit union members paying higher rates, nor anything about purchasing unnecessary financial products. There's nothing about higher default rates, or member dissatisfaction.

In contrast there could be costly and significant inconvenience to the members of ICU. In my many years at the credit union, I cannot tell you how often we have been able to help the stranded member in need of car repairs or new tires while they were on the road, simply by adding these funds to their original open-ended car loan. By providing this service, we have been able to save our members from the high cost of credit card interest rates and allow them to return to their travels in a timely manner.

Since there is no identified harm, and multi-featured open-ended lending plans are integral to ICU's lending programs, a better solution should be found. I believe the plan we have in place fully discloses all the options and opportunities to the membership and provides the protections that the Board is trying to address.

ICU appreciates the opportunity to comment on the Board's changes to Regulation Z. Thank you for your time and consideration.

Warm regards,

Terri McKee
President/CEO
tmckee@industrialcu.org

Industrial Credit Union
P.O. Box 1767
Bellingham, WA 98227-1767

(360) 734-2043 x 2401